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Financial reports and audited financial statements and reports of the Board of Auditors

Note by the Secretary-General

I have the honour to transmit to the members of the General Assembly, pursuant to section VIII of Assembly resolution 51/216 of 18 December 1996, the report of the Board of Auditors on the management review of the secretariat of the International Civil Service Commission.

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Letters of transmittal

Letter dated 27 February 1998 for the Chairman of the Board of Auditors to the Secretary-General

I have the honour to transmit to you the following documents:

(a) The report of the Board of Auditors to the General Assembly on the management review of the secretariat of the International Civil Service Commission in accordance with General Assembly resolution 51/216 of 18 December 1996;

(b) The letter of transmittal to the President of the General Assembly.

(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor-General of India and Chairman
United Nations Board of Auditors

Letter dated 27 February 1998 from the Chairman of the Board of Auditors to the President of the General Assembly

I have the honour to present to you the report of the Board of Auditors to the General Assembly on the management review of the secretariat of the International Civil Service Commission in accordance with General Assembly resolution 51/216 of 18 December 1996.

(*Signed*) Vijay Krishna **Shunglu**
Comptroller and Auditor-General of India and Chairman
United Nations Board of Auditors

Management Review of the Secretariat of the International Civil Service Commission

Report of the Board of Auditors

Summary

The secretariat of the International Civil Service Commission (ICSC) is responsible for helping ICSC in recommending to the General Assembly policy on the conditions of service of Professional and General Service staff and on the scales of salaries and allowances for all staff, as well as post adjustment for Professional staff. The decisions of ICSC affect the staff remuneration of the organizations of the United Nations common system, which accounts for over 70 per cent of the costs of the system. Additionally, ICSC is responsible for coordinating personnel policy planning in those organizations.

The Board of Auditors conducted a management review of the work done by the secretariat of ICSC. Its main findings are as follows:

Professional category and above

(a) When proposing salaries and assessing the competitiveness of United Nations common system salaries in relation to the United States Federal Civil Service, the ICSC secretariat did not include the health and pension benefits in their comparisons. The Board considers that a total compensation basis would provide a more appropriate comparison between the comparator's remuneration package and that of the common system;

(b) For salaries, the margins at the higher level had been eroded and were sometimes even negative, whereas those at the lower levels reached nearly 160 per cent in 1993 and were around 130 in 1997;

(c) The present salary structures tended to reward length of service and seniority rather than merit. The ICSC secretariat agreed that the present salary structure appeared to inhibit career development and provided little incentive for better performance;

(d) There were frequent changes in the criteria for determining out-of-area weights for headquarters duty stations: whereas in 1990, each headquarters duty station had an assigned out-of-area expenditure of 10 per cent of the base salary, by 1996, the level had increased to a range of 22.35 to 25.38 per cent at those duty stations.

General Service and the locally recruited categories

(a) The use of double regression in computing the employers' average salary per grade was likely to alter the actual gap between the local comparators' salaries and those of the common system;

(b) Exclusion of important social benefits such as pension, health insurance and life insurance in the establishment of General Service salary structures was against the spirit of the Flemming principle and resulted in overcompensation at some duty stations and undercompensation at others.

Personnel policy issues

(a) Since 1986, the ICSC secretariat has adopted a piecemeal approach to career development and its activities have focused on specific aspects of promotion and training. Although the General Assembly had endorsed the Commission's proposal to follow an overall approach to career development, this had not yet been achieved by its secretariat;

(b) Between 1994 and 1996, the ICSC secretariat neither followed up nor enabled ICSC to monitor and report on the status of women in the common system.

Resources and responsibilities of the secretariat of the Commission

(a) There have been slippages in the delivery schedules of important assignments mandated by ICSC and the General Assembly. The ICSC secretariat informed the Board that slippages were not always attributable to the shortfall in resources; in many instances they were as a result of unanticipated requests from the Assembly, or due to limitations on the capacity of the Commission to place those matters on its agendas;

(b) The variety of information systems existing within the organizations of the common system prevented the ICSC secretariat from readily and accurately computing the resource implications of any proposed changes in the rates of pay and allowances;

(c) Integration of management information requirements and the use of appropriate technology to meet them would require comprehensive business process re-engineering within the secretariat, after review by systems experts in active cooperation with top management from the ICSC secretariat. This would entail appropriate organizational changes; change of job profiles suitable to new user requirements; development of process manuals; and rationalization of staff resources.

The Board recommends that ICSC secretariat:

(a) Make proposals to the Commission and the General Assembly to establish a total compensation methodology for assessing the competitiveness of the United Nations common system salaries for Professional staff in relation to those of the comparator;

(b) Address the problem of inter-grade differentials for Professional staff in a manner that provides that margins at all levels are contained within the prescribed limits;

(c) Establish a clear and durable policy for fixing the out-of-area weights;

(d) Review the use of the regression technique for determining the 75th percentile and make suitable modifications in the methodology so that it does not produce the anomaly of increasing the average salary per job when a relatively poorly paying employer with a large staff is included in the employers surveyed;

(e) Compare and quantify the difference in pension and other social benefits of the United Nations common system and the comparator employers for determination of salaries. The ICSC secretariat should also examine the use of the "cost to employer approach" and consider factoring that cost into the salaries, as is already being done in the case of non-cash and fringe benefits, such as low interest loans, subsidized cafeteria and parking facilities;

(f) Reactivate its work towards an overall approach to career development as endorsed by the General Assembly;

(g) Finalize and submit the progress report on the status of women without further delay;

(h) Establish a personnel database with regard to the organizations of the United Nations common system, with comprehensive data on staff deployment and their salary and allowances in respective grades, using the database of the secretariat of the Consultative Committee on Administrative Questions as appropriate;

(i) Introduce a computerized integrated management information system in active coordination with organizations of the common system with a view to improving the current procedures for data collection, transmission and processing. This should also be used for periodic review of the mobility and hardship allowance, daily subsistence allowance and education grants. The system should be compatible with the computer systems in the organizations of the common system and its introduction should be preceded by identification and quantification of savings in terms of reduced staff and other costs that would be effected as a result of automation.

The ICSC secretariat is managing a highly technical and complex operation. The Board encourages the ICSC secretariat to address the issues raised in the present report to enable it to maximize its effectiveness in carrying out its work.

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I. Introduction

1. The General Assembly, in its resolution 51/216 of 18 December 1996, recognized that an audit of the work of the International Civil Service Commission (ICSC) had not been undertaken since its establishment and called upon the Board of Auditors to conduct a management review of all aspects of the work done by the secretariat of ICSC in time for the submission of a report thereon to the General Assembly during its fifty-second session.

2. ICSC was established pursuant to General Assembly resolution 3042 (XXVII) of 19 December 1972 for the regulation and coordination of the conditions of service of the personnel in the organizations of the United Nations common system. At present, 15 organizations in the common system and a number of affiliated programmes of the United Nations participate in and contribute to the working of ICSC. In the exercise of its functions, ICSC is guided by its statutes, rules of procedures and its agreements with organizations of the common system.

3. The ICSC secretariat is responsible for helping ICSC in recommending to the General Assembly policy on the conditions of service of Professional and General Service staff and on the scales of salaries and allowances for all staff, as well as post-adjustment for Professional staff. Additionally, it assists ICSC in coordinating personnel policy planning among organizations of the common system. The recommendations of ICSC affect staff remuneration of the organizations of the common system, which accounts for over 70 per cent of the costs of the system.

4. The budget of the ICSC secretariat for the biennium 1996-1997 was $10.91 million and this provided for 46 posts (21 Professional and 25 General Service). According to the ICSC secretariat, the number of vacancies at any point of time during the biennium ranged from zero to four. The ICSC secretariat is headed by an Executive Secretary and has three functional divisions, the Salary and Allowances Division, the Cost of Living Division and the Personnel Policy Division.

5. The Board reviewed the working of the ICSC secretariat with reference to its assigned functions and evaluated the extent to which those functions had been performed, with special regard to their bearing on the mandate of the Commission. This covered the application of the Noblemaire principle for Professional staff, post adjustment issues, the application of the Flemming principle for General Service staff, the determination of allowances, personnel policy issues and the effectiveness of monitoring and reporting.

6. The Board also reviewed and evaluated the manner in which the resources of the ICSC secretariat are deployed and reviewed the status of information technology applications in the secretariat and their impact on the efficiency of its operations.

7. As a part of its review, the Board met with the Chairman and members of the Consultative Committee on Administrative Questions and the Chief of Policies, Compensation and Administration of the United Nations Development Programme (UNDP). The Board also invited for discussion the Federation of International Civil Servants' Associations (FICSA) and the Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA), the staff associations of the organizations of the common system, of which FICSA responded.

8. The Board also engaged a consultant to provide a comparative analysis of the principles and methodology used by other organizations in the international public sector in selected countries for determination of salary, allowances, job classification and post adjustment.

9. The Board's observations on all matters contained in the present report were communicated to the ICSC secretariat. The secretariat has confirmed the facts on which the Board's observations and conclusions are based and has provided explanations and answers to the Board's queries.

10. A summary of recommendations is reported in paragraph 11. The detailed findings of the audit are reported in paragraphs 12 to 131.

Summary of recommendations

11. The Board recommends that the ICSC secretariat:

(a) Make proposals to the Commission and the General Assembly to establish a total compensation methodology for assessing the competitiveness of the United Nations common system salaries for Professional staff in relation to those of the comparator (see para. 20);

(b) Address the problem of inter-grade differentials for Professional staff in a manner that provides that margins at all grade levels are contained within the prescribed limits (see para. 31);

(c) With regard to post adjustment, develop a strategy to determine more accurately the common expenditure weights, taking account of the expected response rate. This strategy could incorporate a mix of suitable options such as simplification of questionnaires;

adopting the method of interviews in preference to using self-administered questionnaires; making use of data from national statistical offices with necessary corrections on the basis of a test study; and exploring the possibility of obtaining data from other international employers (see para. 40);

(d) For the purpose of pricing surveys, devise strategies to identify independently the outlets with high, moderate and low prices, at headquarters and major duty stations away from headquarters, with the assistance of local Governments (see para. 42);

(e) Establish a clear and durable policy for fixing the out-of-area weights (see para. 49);

(f) Examine the recent changes made by other comparable international organizations and, if feasible, develop a methodology to equalize the purchasing power more accurately and more frequently with the base city (see para. 52);

(g) Review the use of the regression technique for determining the 75th percentile and make suitable modifications in the methodology so that it does not produce the anomaly of increasing the average salary per job when a relatively poorly paying employer with a large staff is included in the employers surveyed (see para. 67);

(h) In view of the experience in the case of the Professional category, for which this technique was abandoned in 1994, study the effect of the regression technique on General Service salaries at various duty stations over a period of time and discontinue the use of the technique if it affects final results significantly (see para. 69);

(i) Compare and quantify the difference in pension and other social benefits of the United Nations common system and the comparator employers for determination of salaries. The ICSC secretariat should also examine the use of the "cost to employer approach" and consider factoring that cost into the salaries, as is already being done in the case of non-cash and fringe benefits, such as low interest loans, subsidized cafeteria and parking facilities (see para. 80);

(j) Reactivate its work towards an overall approach to career development as endorsed by the General Assembly (see para. 104);

(k) Finalize and submit the progress report on the status of women without further delay (see para. 107);

(l) Re-establish workload indicators (see para. 112);

(m) Prepare well-defined staff norms directly related to the workload for each item of work so that resource requirements can be established (see para. 116);

(n) Establish a personnel database with regard to the organizations of the United Nations common system, with comprehensive data on staff deployment and their salary and allowances in respective grades, using the database of the secretariat of the Consultative Committee on Administrative Questions as appropriate (see para. 121);

(o) Introduce a computerized integrated management information system in active coordination with organizations of the United Nations common system with a view to improving the current procedures for data collection, transmission and processing. This should also be used for periodic review of the mobility and hardship allowance, the daily subsistence allowance and education grants. The system should be compatible with the computer systems in the organizations of the common system and its introduction should be preceded by identification and quantification of savings in terms of reduced staff and other costs that would be effected as a result of automation (see para. 129).

II. Detailed findings

A. Application of the Noblemaire principle

1. The principle

12. Under article 10 of the ICSC statute, the Commission is required to make recommendations to the General Assembly on:

(a) The broad principles for the determination of the conditions of service of the staff;

(b) The scales of salaries and post adjustment for staff in the Professional category and above.

13. The remuneration of staff in the Professional category and above of the organizations of the United Nations common system is based on the Noblemaire principle. This principle lays down that the salary scales and allowances for the staff of the United Nations and the various specialized agencies should compare favourably with those of the most highly paid home and foreign services, due account being taken of the special factors affecting service in the United Nations.

2. Determining the comparator

14. A key task of ICSC is periodically to assess the competitiveness of United Nations remuneration of staff in the Professional category and above with that of the selected comparator national civil service and to ascertain whether the existing comparator continues to be the highest paid civil service. At present, the comparator is the United States Federal Civil Service.

15. In 1995, the ICSC secretariat conducted a comprehensive study to assess the best paid civil service and compared the total compensation package of the United States and the German civil services. The study established that the remuneration package of the German civil service was 110.5 per cent of that of the United States Federal Civil Service. ICSC, however, reported to the General Assembly that conditions for changing the comparator were not in place. In the Commission's opinion, the study showed that the United States Federal Civil Service net salary exceeded that of the German civil service by 14 per cent when the cost of living was taken into account, although the total compensation study appeared to show Germany ahead of the United States of America because it had superior health and pension benefits.

3. Application of the principle

16. The Board noted that the ICSC secretariat used the total compensation methodology in carrying out comparisons for its last quinquennial exercise in 1995 to determine the best paid civil service. However, when proposing salaries and assessing the competitiveness of United Nations common system salaries in relation to the United States Federal Civil Service, the ICSC secretariat did not include the health and pension benefits in their comparisons. The Board considers that a total compensation basis would provide a more appropriate comparison between the comparator's remuneration package and that of the common system.

17. The ICSC secretariat agreed with the Board that total compensation methodology was the most desirable method for assessing competitiveness of any remuneration system, but stated that:

(a) The General Assembly had not made use of the total compensation results presented by the ICSC secretariat in the past;

(b) The United States Federal Civil Service had dropped its own total compensation comparison programme with its comparator, the United States private sector;

(c) The exercise would be extremely expensive, difficult in practice, and would involve volumes of required data and there were political considerations in applying the methodology.

18. The Board noted that the ICSC secretariat had not evaluated and determined the cost effectiveness of the process necessary for adopting the total compensation methodology. Since 1987, however, the ICSC secretariat had recognized the usefulness and feasibility of the total compensation comparison methodology and had allotted resources for technical studies on total compensation, including expatriate benefits. The ICSC secretariat informed the Board that a change to the total compensation methodology would require the approval of the Commission and the General Assembly.

19. The Board also noted that during the 1980s, when the ICSC secretariat had maintained a total compensation approach, it had developed a computer programme that was resident in a mainframe environment. The ICSC secretariat had neither adapted that programme to the personal computer environment nor had it prepared any strategy for possible use of information technology for processing the data.

20. **The Board recommends that the ICSC secretariat make proposals to the Commission and the General Assembly to establish a total compensation methodology for assessing the competitiveness of the United Nations common system salaries in relation to those of the comparator.**

4. Differential between the United Nations common system and comparator remuneration (margin)

21. To compensate the staff for the relatively lower stability and security as compared with that in national employment, the more limited prospects of promotion in an international civil service and the additional expense and sacrifice involved in living away from their own country, that is, an expatriate element, the General Assembly fixes the United Nations common system remuneration at a level higher than the corresponding level of remuneration in the comparator's pay structure. This difference is called the margin; a margin of 110 implies that the common system remuneration is 110 per cent of the comparator's remuneration.

22. In 1985, the General Assembly approved a range of 110 to 120, with a desirable mid-point of 115, for the net remuneration margin on the understanding that the margin would be maintained at around this desirable mid-point over

a period of time. The margins for each grade since 1991 are indicated in table 1.

Table 1
Margin for Professional staff

	United Nations/United States ratios after adjustment for cost-of-living differential						
	1991	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*
Cost-of-living differential	110.1	110.5	116.4	114.1	115.5	115	115
Grade P-1	152.6	153.3	159.8	134.4	123.3	124.3	128.3
P-2	132.9	132.8	132.7	126.4	118.3	121.4	130.3
P-3	122.7	122.1	119.6	120.1	113.7	117.4	123.2
P-4	116.3	115.5	111.7	112.2	102.6	106.4	113.6
P-5	112.2	111.0	106.05	111.3	102.0	105.9	113.0
D-1	109.1	107.9	102.4	98.4	101.8	106.3	103.7
D-2	106.7	105.4	100.1	99.5	97.1	100.7	105.9
Margin reported to the General Assembly	118.9	117.6	114.2	113.0	105.7	109.7[a]	115.7[b]

[a] The General Assembly, however, approved a margin of 114, by adopting "actual incumbency weights", instead of the "equal weights" used by ICSC.

[b] Provisional, yet to be approved by the General assembly.

23. The Board shared the concern expressed by the General Assembly, the organizations of United Nations common system and staff representatives about the persistent imbalance between the margin levels for different levels in the Professional category. The Board noted that the margins at the higher levels had been eroded and were, sometimes, even negative, whereas those at the lower levels reached nearly 160 per cent in 1993 and were around 130 in 1997.

24. The ICSC secretariat attributed this i..balance in part to a combination of the statistical techniques used to compute margin measurements and to the use of certain grade equivalencies.

25. The General Assembly approved the ICSC proposals to modify the statistical techniques and to readjust the grade equivalencies.

26. The ICSC secretariat also attributed the imbalance to the fact that, at the lower grades, comparator salaries reflected primarily clerical pay levels because of the comparator's uniform salary scales, which combined clerical and Professional salary data to derive internal salary levels. The ICSC secretariat expected that current imbalances would remain largely unchanged as long as the existing methodology is applied.

27. In its resolution 50/208 of 23 December 1995, the General Assembly requested ICSC to examine the possibility of partial phasing out of the expatriate elements of the margin for staff with long service at one duty station, and asked that the study be completed for submission to it at its fifty-first session.

28. The Board also analysed the movements in the pay steps at the various Professional levels since 1956, as indicated in tables 2 and 3, in order to assess their impact on performance incentive. The Board noted that the number of steps per grade had continually increased over the years, as shown in table 2, while the value per step had gradually decreased, as shown in table 3.

Table 2
Number of steps per grade

Grade	*1956*	*1966-June 1990*	*July 1990*
P-1	8	10	10
P-2	9	11	12
P-3	10	13	15
P-4	10	12	15
P-5	9	10	13
D-1	6	7	9
D-2	1	4	6

Source: Note of the ICSC secretariat to ICSC (ICSC/42/11).

Table 3
Value of steps as a percentage of step 1

Grade	*1956*	*1966-June 1990*	*July 1990*
P-1	5.6	3.5	3.2
P-2	4.2	2.9	2.6
P-3	3.2	2.8	2.4
P-4	3.0	2.5	2.2
P-5	2.9	2.1	1.9
D-1	4.0	2.3	1.9

Source: Note of the ICSC secretariat to ICSC (ICSC/42/11).

29. The ICSC secretariat pointed out that the horizontal expansion has had little impact on improvement of salary structures, as the additional steps have tended to be cancelled

out by the smaller overall value of each step. The current salary scale structures recognize more years of seniority but each year carries a lower incremental value than before.

30. The Board noted that the present salary structures tended to reward length of service and seniority rather than merit. The ICSC secretariat agreed that the present salary structure appeared to inhibit career development and provided little incentive towards better performance.

31. **The Board recommends that the ICSC secretariat should address the problem of inter-grade differentials for Professional staff in a manner that ensures that margins at all grade levels are contained within the prescribed limits.**

B. Post adjustment issues

1. Methodology

32. Post adjustment is an amount paid to international staff in the Professional category and above, in addition to base salary, to ensure that no matter where United Nations common system staff work at some 180 locations worldwide, their take-home pay has a purchasing power equivalent to that at the base of the system, at present New York. Post adjustment is designed specifically to deal with relative differences in cost of living. It does not take into account hardship or hazardous conditions, which are dealt with by separate provisions. ICSC is assisted by a subsidiary body, the Advisory Committee on Post Adjustment Questions, composed of statisticians of repute, which advises the Commission on technical aspects and statistical methodology. The ACPAQ makes recommendations and advises the Commission on post adjustment matters. It also reviews the application of the survey methodology and the results of cost-of-living surveys.

33. The post adjustment index for a given location measures the living costs of staff at that location vis-à-vis the base city at a specific date. This is established by means of periodic comparisons through place-to-place surveys between the base city and other locations; such surveys could be household expenditure surveys, housing surveys or price surveys. The main components of the post adjustment index are (a) the "in-area component", which relates to living costs incurred in the country of the duty station; (b) the rental/housing component; and (c) the "out-of-area component" relating to expenditures that, although incurred while the staff member is at the duty station, are expended outside the country, generally in another currency.

2. Assessment of spending patterns

34. For the purpose of determining spending patterns, the ICSC secretariat conducts household expenditure surveys at headquarters duty stations and Washington, D.C., at eight yearly intervals using a household expenditure questionnaire distributed to selected United Nations common system staff. The questionnaire seeks to collect detailed information on household expenditures for about 250 items in the consumption basket. The data on spending patterns of staff collected from headquarters duty stations is used to compute common spending patterns, which are also known as "common expenditure weights". These common expenditure weights are used at all 180 duty stations for determination of post adjustment indices.

35. The present system of determination of post adjustment indices is dependent on survey response from United Nations common system staff and adequate and reliable staff response is essential for fair determination of the indices. The Board examined the last household expenditure survey conducted by the ICSC secretariat, which took place in 1990 at the seven headquarters duty stations and at Washington, D.C., so as to assess the methodology, practices, and results. The Board observed that for determining spending patterns that will affect a heterogenous mix of 18,000 Professionals at 180 duty stations, the questionnaire was sent to 2,178 persons at 8 duty stations, of whom 693 responded (i.e. a response rate of 32 per cent). The Board considers that this level of response is inadequate, as reflected from the level of sampling errors referred to in paragraphs 37 and 38. The Board observed that Geneva had the lowest response, with only 19 per cent of the staff completing the questionnaires, followed by New York (24.5 per cent) and Paris (26.7 per cent), as shown in table 4.

36. The Board noted that the questionnaires used for household expenditure surveys were lengthy and required detailed information on expenditures to be provided by the selected persons. The questionnaire for separation of in-area and out-of-area weights required details of expenditures made within and outside the country, broken down by currency for the preceding month on items such as food, fruits and vegetables, beverages, postal and telephone services, recreation and household goods. Expenditure on clothing, household furnishing, automobiles, medical care and education was required to be provided broken down by currency for the past 12 months. The Board considers that the complex structure of the questionnaire compounded the problem of low response considerably.

37. The Board also observed that although the ICSC secretariat was facing a serious problem of low response in

household expenditure surveys, it did not have an alternate strategy to determine common expenditure weights independently with reasonable accuracy. Although the ICSC secretariat had fixed in advance an allowable level of sampling error of 2 per cent for each headquarters, that is, the accuracy of the data collected would be within a range of plus or minus 2 per cent, the actual sampling error was more than 5 per cent in respect of almost all of the headquarters, as shown in table 5. The sampling error for London was more than three times the allowable limit.

38. Although the ICSC secretariat had decided at the start of the surveys that surveys with sampling errors above 5 per cent would be discarded, it did not do so. The Board noted that ICSC had decided that wherever a low response to the family expenditure survey led to the collection of insufficient data it would use the local weights used by the national statistical authorities. The ICSC secretariat found that the data from the national statistical offices was not suitable and was not used because it was either aggregated at the country level rather than the city level or was based on a smaller sample size than that used by ICSC. In the absence of sufficient data, therefore, the ICSC secretariat had to redesign the sample by combining data from all headquarters into one sample and then post-stratifying it by grades (P-1-D-1), to overcome the problem of large sampling errors for each of the headquarters. The ICSC secretariat informed the Board that this approach reduced the sampling errors to around 2 per cent. The Board is concerned, however, that this sample design was not consistent with the original sampling scheme.

39. The Board considers that the common expenditure weights, which help compute the level of post adjustment, were, therefore, determined by the ICSC secretariat in 1990 on the basis of insufficient data, an unrepresentative sample and a statistical methodology that was not initially intended. These weights would continue to be in use until 1998, when the next full place-to-place surveys would be due.

40. **The Board recommends that the ICSC secretariat develop a strategy to determine more accurately the common expenditure weights, taking account of the expected response rate. This strategy could incorporate a mix of suitable options such as simplification of questionnaires; adopting the method of interviews in preference to using self-administered questionnaires; making use of data from national statistical offices with necessary corrections on the basis of a test study; and exploring the possibility of obtaining data from other international employers.**

3. Price collection surveys

41. In order to help determine the post adjustment, the ICSC secretariat carries out price collection surveys every four years to collect information on prices at stores and outlets frequented by United Nations common system staff. The list of outlets and stores surveyed is determined in consultation with the staff representatives.

42. The Board considers that more objective results would be obtained if the ICSC secretariat widened the scope of its survey. **It recommends that, for the purpose of pricing surveys, the ICSC secretariat devise strategies to identify independently the outlets with high, moderate and low prices, at headquarters and major duty stations away from headquarters, with the assistance of local Governments.**

4. Determination of out-of-area expenditure weights

43. The present system of determining post adjustment recognizes that some portion of the net remuneration of the Professional staff is spent outside the country of the duty station. The components of expenditure that are treated as out-of-area expenditure are primarily education of children studying abroad; remittances to family members/support of dependants abroad; expenses of private travel abroad in connection with home leave and vacations; and items imported directly by staff because of limitations of local markets. The level of out-of-area expenditure at a particular duty station is used to arrive at the out-of-area expenditure weights for that station and, ultimately the post adjustment.

44. The out-of-area expenditure weights are determined on the basis of data collected from staff through questionnaires in household expenditure surveys. The weights range from 10 to 30 per cent of the salary for headquarters duty stations and up to 80 per cent of the salary at some field duty stations. The single most important variable component of out-of-area expenditure relates to items imported by staff because of limitations of local markets. At most of the field duty stations, expenditure on durable goods such as furniture and household appliances is treated as out-of-area expenditure.

45. Normally, an increase in out-of-area expenditure weights of a duty station with low post adjustment index has the effect of increasing the post adjustment index of the duty station and vice versa. The Board considers that as in the case of price collection surveys, more objective results will be obtained if the ICSC widens the scope of its survey beyond the staff.

Table 4
Response rate in household surveys 1990 at headquarters locations

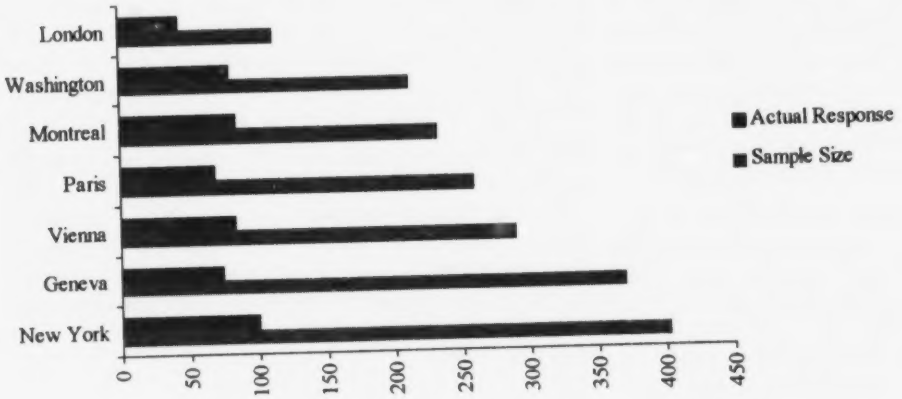
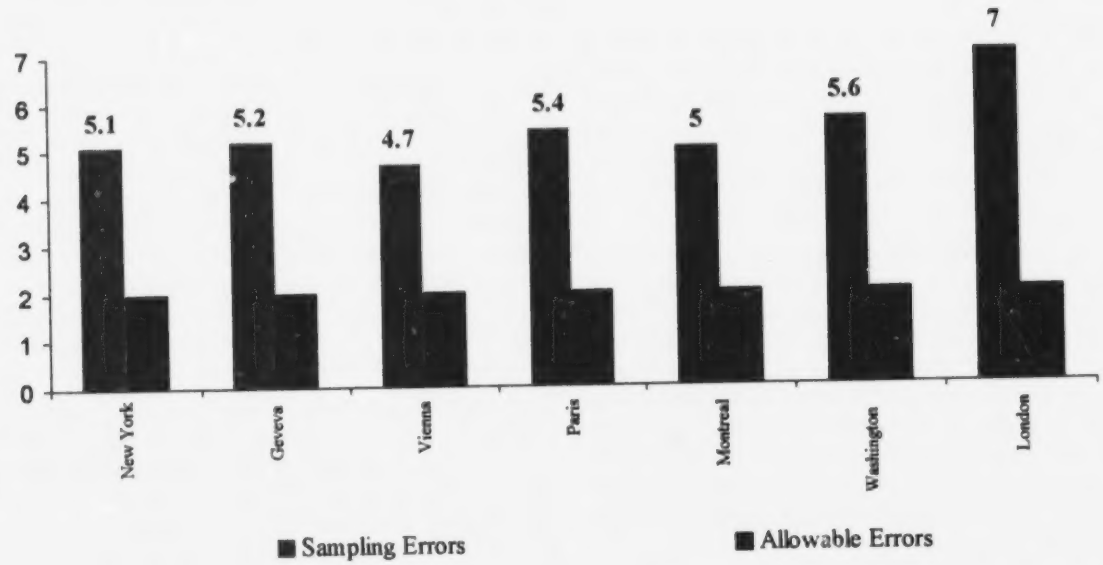


Table 5
Sampling errors for survey of household expenditure, 1990



46. **The Board recommends that the ICSC secretariat also consider the feasibility of determining out-of-area expenditure weights for different duty stations through independent assessment, possibly with the assistance of other international employers having expatriate staff, in addition to information collected from United Nations common system staff.**

47. The Board noted that ICSC criteria for determining out-of-area weights for headquarters duty stations have changed frequently during the past 10 years. In some years, actual out-of-area weights were used; in other years, a portion of net salary was added to the out-of-area expenditure; and in yet other years, headquarters duty stations with out-of-area expenditure within a range were grouped and assigned a common out-of-area weight. The ICSC secretariat informed the Board that the revisions of the level of the weight assigned to the out-of-area expenditure reflected policy decisions of ICSC based on the result of in-depth studies.

48. The Board noted that these policy changes had a substantial effect on the out-of-area weights for various headquarters duty stations, which changed significantly, as shown in table 6: whereas in 1990, each headquarters duty station had an assigned out-of-area expenditure weight of 10 per cent of the base salary, by 1996, the level had increased to a range of 22.35 per cent to 25.38 per cent at these duty stations.

49. The Board considers that although the actual out-of-area expenditure may change, the policy approach for computing this proportion of expenditure should not be subject to frequent change. **The Board recommends that the ICSC secretariat establish a clear and durable policy for fixing the out-of-area weights.**

5. Equalization of purchasing powers

50. The methodology used by the ICSC secretariat aims to equalize purchasing powers of staff at the duty stations only at intervals of four years when surveys are conducted and the prices of duty stations are compared with the prices of the base city, New York. The Board noted from the results of 202 surveys conducted between February 1994 and March 1997 that at 20 duty stations the implementation of survey results had led to an increase or decrease in the post adjustment indices by over 10 per cent and at another 15 duty stations, the difference was between 7.5 and 10 per cent. This happened because in the period between the surveys no direct comparisons were made with the base city. The in-area portion of the post adjustment index of a duty station is updated independently on the basis of the local consumer price index in the country of the duty station.

51. The Board found that direct comparisons with the base at shorter intervals are possible without having to increase the frequency of surveys. In December 1991, the European Communities introduced a new method for calculating salary purchase price parities, which is the equivalent of post adjustment, to take care of a similar problem. Moreover, in July 1993, the coordinated organizations, comprising five European international organizations, including the Organisation for Economic Cooperation and Development (OECD) and the North Atlantic Treaty Organization (NATO) incorporated the European Communities' system into their salary adjustment system. In the new method of calculating purchase price parities, for one third of the items in the eight main expenditure groups a complete recalculation is carried out every year by applying the data collected by the national statistical offices under the international comparison project; the remaining two thirds of the items are updated by the detailed international consumer price indices.

52. **The Board recommends that the ICSC secretariat examine the recent changes made by other comparable international organizations and, if feasible, develop a methodology to equalize the purchasing power more accurately and more frequently with the base city.**

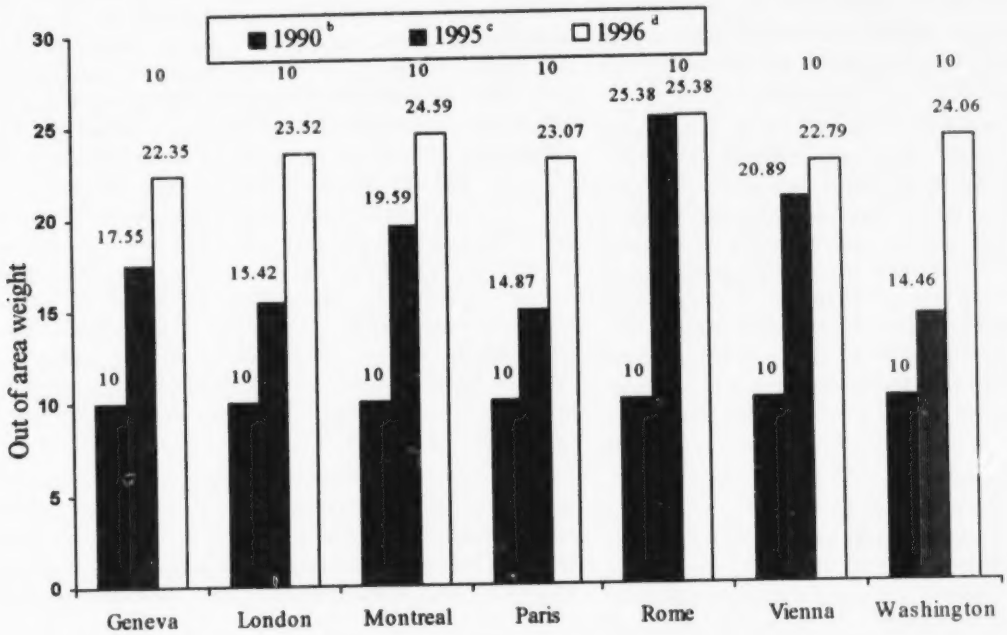
6. Delay in implementation of survey results

53. The Board found that for duty stations away from Headquarters where surveys are conducted through local coordinating agencies the time lag between the month of survey and the date of receipt of survey data in the ICSC secretariat ranged between one to seven months during the past three years. The time lag between the month of survey and date of implementation of survey results ranged between 3 to 10 months. Some illustrative cases are given in table 7.

54. The ICSC secretariat attributed the delay to the local coordinating agencies and stated that it did not have any enforcement facility under which the concerned United Nations common system organization could be made to abide by a rigid time schedule for transmitting survey data to ICSC. The ICSC secretariat further stated that it completed the data processing and implemented the survey results within a period of four months of receipt of survey material from the duty stations.

55. **The Board recommends that the ICSC secretariat put in place formal procedures binding upon the local coordinators to collect, collate and transmit survey data, with explanatory memoranda where necessary, and also to ensure that survey results are implemented within a minimum prescribed time-frame.**

Table 6
Out-of-area expenditure weights of headquarters duty stations[a]



[a] Figures on out-of-area expenditure for 1986 could not be provided by the ICSC secretariat.

[b] Under fixed 10 per cent out-of-area policy.

[c] Actual out-of-area weight policy.

[d] Minimum 20 per cent plus 5 per cent of net base salary to account for non-consumption commitments.

Table 7
Implementation of survey results

Country	*Survey date (1996)*	*Period during which the ICSC secretariat received the material*	*Number of months between the survey and receipt of material*	*Date of implementation of survey results*	*Number of months between survey and implementation*	*Number of months between receipt of complete material and implementation*
Hungary	March	22 April-20 August 1996	5	December 1996	8	4
Japan	September	26 November 1996-3 March 1997	6	April 1997	6	1
Kenya	September	18 November 1996-21 January 1997	4	February 1997	4	1
Libyan Arab Jamahiriya	February	28 March-16 September 1996	7	December 1996	9	3
Mexico	March	3 May-20 August 1996	5	December 1996	8	4
Mozambique	June	29 August-9 October 1996	4	November 1996	4	1
Nigeria	April	27 June-8 November 1996	7	December 1996	7	1
Papua New Guinea	May	24 June-21 August 1996	3	November 1996	5	3
Qatar	April	2 May-22 August 1996	4	December 1996	7	4
South Africa	May	16 July-4 October 1996	5	November 1996	5	1
Swaziland	November	9 January-22 April 1997	5	June 1997	6	2
Thailand	July	8 November 1996-21 January 1997	6	June 1997	6	1
Ukraine	August	13 January-5 June 1997	10	June 1997	10	0
Viet Nam	June	1 August-20 September 1996	3	October 1996	3	1

7. Determination of a single post adjustment for Geneva

56. There are some 3,500 Professionals in Geneva-based organizations of the United Nations common system, of whom about 70 per cent live in Geneva (Switzerland) and the remaining 30 per cent in French border areas. Currently, the Geneva post adjustment is determined on the basis of the cost of living of the Professional staff residing in Geneva without taking into account the cost of living of those Geneva-based Professional staff who live in French border towns.

57. The General Assembly requested ICSC in 1993, and again in 1995, to establish by 1996 a single post adjustment for staff posted in Geneva, which would be representative of the cost of living of all staff at the duty station and would ensure equality of treatment with staff in other headquarters duty stations. At the request of ICSC for more time, the General Assembly extended this date to 1 January 1998. The ICSC secretariat engaged a consultant to carry out the exercise. The consultant recommended a general model for a single post adjustment based on three main elements: prices in Geneva and in French border towns; the proportion of staff residing in Geneva and France; and spending patterns.

58. The Advisory Committee on Post Adjustment Questions found this general model to be broadly appropriate, but considered that a single post adjustment index on this basis was not immediately achievable in view of operational problems, data requirements and the need to base weights on real expenditure patterns of the United Nations common system staff. The Advisory Committee considered that the preferred solution should meet the criteria of statistical viability, simplicity and transparency and should be capable of being implemented by 1 January 1998.

59. Based on an analysis of the monthly post adjustment indices for 1996 for Geneva and Paris, the Board concluded that the post adjustment element in the salary for Geneva was 47 per cent higher than that for Paris. This resulted in net remuneration in the French towns bordering Geneva being about 18 per cent higher than justified by the cost of living in 1996. The Board selected Paris because there was no survey data on the cost of living in the French towns bordering Geneva. Since it would appear that the cost of living in the border areas of France is lower than in Switzerland, United Nations common system Professional staff at Geneva, who live in neighbouring France, may be at an advantage.

60. The Board took note that ICSC had considered the issue and recommended to the General Assembly in its 1997 annual report that if the Assembly wished to adopt a single post adjustment for Geneva, then Geneva-based organizations should be given time to revise the staff regulations concerning the definition of the Geneva duty station to include the neighbouring areas of France. ICSC also invited the General Assembly to request it to carry out a study of the savings that would be realized from the implementation of a single post adjustment for Geneva. In view of the significant disparity between the Geneva and French border towns, the Board would encourage ICSC to seek an early resolution to this matter.

C. General Service staff

1. Salary survey methodology

61. The conditions of service of General Service staff in the organizations of the United Nations common system and their salaries are determined in accordance with the Flemming principle. This principle, which has been re-endorsed by ICSC since 1982, states that the conditions of service for locally recruited staff should be determined by reference to the best prevailing conditions of service among other employers in the locality in order to remain competitive and both attract and retain staff of a high standard; the conditions of service, including both paid remuneration and other basic elements of compensation, are to be among the best in the locality, without being the absolute best.

62. To determine General Service salary scales, ICSC currently conducts surveys of best prevailing conditions of service for General Service and other locally recruited staff at headquarters duty stations by obtaining, analysing and comparing United Nations common system and external data.

63. To obtain the external data, the ICSC secretariat surveys employers regarded as the best in the local market and retains some 20 as comparators. The Board noted that for determining the differential or gap between the salaries paid by the United Nations common system to General Service staff and salaries paid by the comparator employers to their employees, the ICSC secretariat uses the statistical technique known as regression analysis. It applies this technique at two stages, firstly, to determine the average net salary by job for example, typist, clerical staff and, secondly, to arrive at the average net salary by grade.

64. The Board considers that as a degree of error is introduced each time the regression technique is applied, the use of double regression is likely to alter the actual gap existing between the United Nations common system salaries and the salaries paid by the 20 best employers in the local market.

65. The Board noted that the ICSC secretariat uses the interpolated 75th percentile method for determining average salaries in respect of each grade, that is, it uses the 75th percentile method in conjunction with the regression technique. According to the 75th percentile method, assuming that comparators have 100 employees in a job, United Nations common system organizations should give the salary of the 75th person (when salaries are arranged in ascending order) to their employees of the equivalent job. Some United Nations common system organizations had pointed out to ICSC that the use of the regression technique produced anomalous results, increasing the average salary per job when a relatively poorly paying employer with a large staff was included in the employers surveyed. The Board found that this anomaly as a result of use of the regression technique for determining the 75th percentile salaries.

66. This assumed importance in the light of the ICSC's 1997 decision that at least 25 per cent of the employers surveyed should be from the public sector, including the national civil service, in order to cover the local economic sectors better. Since public or government sector employers generally pay lower salaries and have large staff numbers, the Board concluded that the current methodology was prone to cause undue distortion in the General Service salary scales. The ICSC secretariat considered, however, that any methodology employed could always produce anomalous results.

67. **The Board recommends that the ICSC secretariat review the use of the regression technique for determining the 75th percentile and make suitable modifications in the methodology so that it does not produce the anomaly of increasing the average salary per job when a relatively poorly paying employer with a large staff is included in the employers surveyed.**

2. Determining General Service salary scales by grade

68. In determining General Service salary scales by grade at headquarters duty stations, ICSC used the regression methodology to smooth out the differentials between grades. The Board noted, however, that the ICSC secretariat does not employ this technique at duty stations away from headquarters, and abandoned it in 1994 for determining Professional salary scales because it resulted in a distortion of the salary ratios at individual grades. The Board also observed that the use of regression produced considerable differences in the General Service salary scales, by grade, between the United Nations common system and the comparators. Table 8 shows the difference by grade between United Nations common system salary scales and those of the comparators, using both regressed and unregressed techniques for Montreal, New York, Rome and Geneva.

69. **The Board recommends that, in view of the experience in the case of the Professional category, for which this technique was abandoned in 1994, the ICSC secretariat study the effect of the regression technique on General Service salaries at various duty stations over a period of time and discontinue the use of the technique if it affects final results significantly.**

70. The General Service salary survey methodology at headquarters duty stations requires that 20 employers be selected as comparators, that they should be within commuting distance of the duty station and should each have 100 or more clerical/support staff. In addition, the methodology requires that ICSC determine the General Service salary scales by using the 75th percentile method.

71. The Board noted that this methodology does not take account of deviations in the local labour market conditions in the various headquarters duty stations.

72. The Board examined three of the seven headquarters duty stations: Geneva, New York and Paris. The Board found that, based on the decisions of the Commission, the ICSC secretariat had followed an approach different from the agreed criteria at these three duty stations:

(a) **Geneva**

(i) Only 16 employers were selected as comparators instead of the minimum of 20 employers prescribed in the methodology;

(ii) Five of them had less than 100 staff each. One had only 23 office staff;

(b) **New York**

For the Trades and Crafts and Security Service categories:

(i) Only 11 instead of 20 employers were selected as comparators for the Trades and Crafts category;

(ii) For each of the two categories, two of the comparators were from a location not within commuting distance of New York. A 15.5 per cent adjustment in the net salary was made on account of cost-of-living differential between the two locations;

Table 8
Difference by grade between United Nations Common system salary scales and those of the comparators

Name of the headquarter and year of survey	*Grade*	*Weights used for different grades*	*Percentage difference between average unregressed salaries of comparators and the United Nations common system for the grade*[a]	*Percentage difference between average regressed salaries of comparators and the United Nations common system for the grade*[a]
Montreal 1993	GS-1	—	—	8.40
	GS-2	4	-2.80	4.60
	GS-3	12	+12.50	1.00
	GS-4	43	-5.50	-2.60
	GS-5	113	-4.70	-6.00
	GS-6	69	-11.60	-9.30
	GS-7	44	-13.40	-12.50
	GS-8	33	-13.00	-15.50
	GS-9	—	—	-18.50
New York 1995	GS-1		—	2.88
	GS-2		—	3.08
	GS-3	629	5.78	3.28
	GS-4	1 324	2.87	3.49
	GS-5	1 023	-0.48	3.69
	GS-6	784	6.03	3.89
	GS-7	302	—	4.10
Rome 1994	GS-1	49	17.28	7.50
	GS-2	268	9.14	5.40
	GS-3	536	3.76	3.40
	GS-4	608	-2.16	1.40
	GS-5	501	-3.36	-0.60
	GS-6	265	2.46	-2.50
	GS-7	57	7.75	-4.40
Geneva 1995	GS-1	—	—	-6.48
	GS-2	104	9.74	-6.73
	GS-3	624	-10.27	-6.98
	GS-4	1 284	-6.94	-7.23
	GS-5	1 209	-8.17	-7.48
	GS-6	940	-6.58	-7.73
	GS-7	372	-8.19	-7.98

[a] A positive figure indicates that the comparator salary is higher.

(c) For the Security Service category, a weighted arithmetic mean was used to determine outside average salaries rather than application of the 75th percentile, in view of the small number of employers;

(d) The requirement that at least one quarter of the surveyed employers should provide data for a particular job to be retained was relaxed in the case of the Trades and Crafts category.

(c) **Paris**

(i) Only 17 instead of 20 employers were selected as comparators;

(ii) The staff did not participate in the last survey conducted in 1993, in part because the methodology did not take care of the local situation.

73. While the Board recognizes the benefits of maintaining a common basic methodology, it is concerned that the significant number of recurring exceptions that the ICSC secretariat caters for on an ad hoc basis leads to an inconsistent application of the agreed, basic methodology.

74. **The Board, therefore, recommends that the ICSC secretariat review the basic methodology and modify it to take account of local labour market conditions, as well as the recurring problems, such as low employer response rate and insufficient numbers of employers, at the duty station.**

3. Treatment of pension and other social benefits in salary setting

75. The Board noted that, although the ICSC secretariat currently collects data on social as well as monetary benefits at the time of General Service salary surveys conducted at different headquarters duty stations, the present methodology does not assess the value of important social benefits such as pension, health insurance, life insurance and annual leave provisions, which have a material financial impact on the total compensation package.

76. The Board noted that contributions made by organizations of the United Nations common system and local employers to the pension and other social benefits schemes for their employees differ quite significantly at most of the headquarters duty stations.

77. The Board noted that the ICSC secretariat put considerable effort into assessing the value of a number of non-cash and fringe benefits such as subsidized cafeteria, low interest loans, subsidized recreational facilities and parking facilities and factoring those values into the salary scale on the basis of their cost to the employer. In addition, while the ICSC secretariat used data on social benefits (pension, health insurance, life insurance and leave benefits) in reviewing the overall conditions of employment at a given duty station, it did not take those data into account in the construction of the salary scale.

78. The Board considers that exclusion of important social benefits such as pension, health insurance and life insurance in the establishment of General Service salary structures was against the spirit of the Flemming principle and resulted in overcompensation at some duty stations and undercompensation at others.

79. The ICSC secretariat considered that such an approach would lead to creation of local benefit schemes and would require detailed actuarial studies. The Board considers, however, that the need for creation of local benefit schemes would not arise, just as it had not arisen for benefits such as bonus, sharing of profits and loan facilities.

80. **The Board recommends that the ICSC secretariat compare and quantify the difference in pension and other social benefits of the United Nations common system and the comparator employers for determination of salaries. The ICSC secretariat should also examine the use of the "cost to employer approach" and consider factoring that cost into the salaries, as is already being done in the case of non-cash and fringe benefits.**

81. To gather the necessary information from the employers, the ICSC secretariat sends a detailed questionnaire requesting information on salaries and conditions of service of General Service equivalent staff. The ICSC secretariat considers that the detailed nature of the questionnaire discourages some employers from responding and, therefore, proposes to make optional the completion of questions on pension, health insurance and other social benefits, since those elements do not currently affect the determination of pay scales. The Board considers that as the Flemming principle requires comparison of all conditions of service, including pension and other social benefits, the ICSC secretariat should find alternative ways of encouraging employers to respond to the questionnaires.

4. Interim adjustment

82. In the period between the comprehensive surveys, salaries at headquarters duty stations are adjusted either on the basis of an appropriate wage index or a price index or a combination of the two.

83. The Board examined the interim adjustment used for each of the Headquarters duty stations and the salary movements from successive surveys at Geneva, London,

Montreal, New York, Paris, Rome and Vienna. The Board observed that:

(a) In most places three price indices – consumer, wage or a combination of the two – were variously used for interim adjustment;

(b) The indices used were not producing salary movements that could be confirmed by successive salary surveys;

(c) In the last round of surveys there were negative adjustments in all but the New York and Rome duty stations.

84. The Board considers that the wage index is the most appropriate of the three options; the ICSC secretariat stated that this was not always readily available for the particular geographical area or for the relevant economic sectors.

85. The Board further considers that the indices selected should also be able to produce salary movements that are capable of being validated by the subsequent comprehensive salary surveys. According to the ICSC secretariat, however, such a check could not be done because of incomplete or non-existent data.

86. Concerning the question of negative adjustments, the Board considers that these indicate possible overcompensation in preceding years. The ICSC secretariat stated that the negative adjustments were more reflective of the general economic decline in the early and mid-1990s; in Montreal, for instance, some employers had frozen salary levels for several years, whereas common system staff had continued to receive increases. Other factors could have been a change in comparator employers, since high-paying employers previously used had undergone downsizing or had moved out of the duty station.

87. In view of the importance of the interim adjustment and of the need for avoiding over/under compensation, the ICSC secretariat introduced the option of a mini-survey in the methodology to be applied at the specific request of the duty station. The Board appreciates the introduction of the mini-survey mechanism and **recommends that the option to apply it rest with ICSC and its application should be based on set criteria, keeping in mind the cost aspects.**

D. Determination of allowances

88. ICSC is responsible for the determination of rates of allowances for the dependency and language incentives for staff in the Professional category and above, mobility and hardship, education grant, home leave, daily subsistence allowance, repatriation grant and termination indemnity. ICSC also has the general responsibility to establish policies, formulate guidelines and make recommendations for allowances that are determined by the General Assembly. The Board reviewed how the ICSC secretariat set three of their allowances: mobility and hardship allowance, daily subsistence allowance and education grant.

1. Mobility and hardship allowance

89. The mobility and hardship scheme was introduced in July 1990 to encourage mobility between duty stations and to compensate for the degree of hardship experienced by staff assigned to difficult duty stations. It provides for the mobility and hardship allowance, which is a non-pensionable allowance and consists of three elements, namely, hardship, mobility and non-removal. The level of hardship is determined by means of a questionnaire, which assesses health, security, climate, housing, isolation, local conditions and education. The mobility element applies to staff with five consecutive years of service and depends on the number of assignments the staff member has held and the category of duty stations. The non-removal element distinguishes between staff who receive a full household removal and those who receive a limited shipment of personal effects. The mobility and hardship allowance for a staff member is calculated by assigning set percentage points for each of the three elements.

90. The Board noted that the ICSC secretariat applies predetermined percentages to the base salary, instead of the net remuneration (i.e. the sum of the net base salary and the post adjustment). In real terms, the existing system yielded different levels of mobility and hardship allowance at different duty stations having similar hardship classification. The ICSC secretariat stated that linking the mobility and hardship allowance to the net remuneration would introduce a cost-of-living component into the equation for determining mobility and hardship allowance, which was conceptually at variance with the scheme; it also pointed out that the current linkage/adjustment mechanism was modelled on the comparator.

91. The Board also noted that the operation of the scheme resulted in some organizations of the United Nations common system experiencing difficulty in mobility of the staff from field to headquarters duty stations.

2. Daily subsistence allowance

92. Daily subsistence allowance is a payment for travel expenses on initial appointment, on change of duty station, on separation from service, for travel on official business, for home leave travel and on family visit or education grant,

if applicable. The ICSC secretariat carries out an annual review of daily subsistence allowance rates on the basis of information provided by the organizations on room and meal prices in each country. ICSC also reviews daily subsistence allowance rates in the interim during the course of the year when there are currency changes and whenever information provided by the organizations on individual countries or areas may call for an update.

93. Since 1990, the ICSC secretariat has provided for field visits to serve as information collection and review missions so as to ascertain the appropriate application of the existing daily subsistence allowance guidelines. The Board noted that no specific mission had been carried out since 1991 for daily subsistence allowance, for reasons attributed by the ICSC secretariat to competing priorities and resource constraints.

94. The Board reviewed the process of data input, selection and analysis for one country. The Board found that the selection of the hotels was made without any well documented criteria. There was lack of uniformity in calculating the average meal costs in Rome, Geneva and New York. The computer programme also required improvement; for instance, in some cases the local currency amount changed significantly as a result of rounding off or some programming error; those errors had to be corrected manually later on. The Administration has subsequently informed the Board that the required improvement in the computer programmes has now largely been accomplished.

3. Education grant

95. While endorsing the new methodology on education grant in December 1992, the General Assembly had requested ICSC to report in 1996 on the operation of the education grant on the basis of the revised methodology, taking into account the views of Member States on the matter. The Board noted that this was deferred until 1997 owing to competing priorities; at that time the ICSC secretariat was unable to estimate the impact of some of its proposals because all the necessary data were not available.

96. Under the new methodology, a different approach has been adopted, whereby the grant is expressed in the United States dollar and 16 other local currencies and ICSC would consider separate local currency ceilings within the United States dollar area. Since 1992, the ICSC secretariat was required to collect data systematically, on tuition fees and other major elements of expenditure at schools in regional office locations. The Board observed that there had been limited progress in this area and that the methodology was yet to address the issue of the treatment of boarding costs in its entirety. The Board observed that the maximum allowable expenses provided for both tuition and board. Consequently, any increases in tuition fees in many duty stations reduced the amount available for boarding. Moreover, tuition fees and costs for boarding move at different rates; at many duty stations, the latter moves faster. To overcome that problem, the ICSC secretariat recommended to the Commission in March 1997 that adjustments in the flat rate for boarding be linked to movements in the consumer price index. The ICSC secretariat has also proposed to the Commission that the additional flat rate may be adjusted on the same date and by the same percentage as the normal flat rate.

97. The Board urges the ICSC secretariat to undertake the review on the education grant scheme expeditiously; that review should address the treatment of boarding costs in its entirety.

E. Personnel policy issues

98. Under its statute, ICSC is required to advise the organizations of the United Nations common system on specific personnel policy issues, including standards of recruitment, career development, training, job classification and evaluation of staff. The Board reviewed the work done on standards of recruitment, career development and training and gender balance.

1. Standards of recruitment

99. Prior to 1989, the ICSC secretariat regularly monitored the level of adherence to and consistency in the application of the Commission's decisions, recommendations and requests relating to standards of recruitment by the organizations of the United Nations common system. The Board noted that, since 1989, the ICSC secretariat had only once, in 1993, reported to ICSC on this matter.

100. In 1994, ICSC examined an analysis prepared by the Consultative Committee on Administrative Questions of recruitment and retention difficulties and noted that the Consultative Committee had established a substantial database on recruitment and turnover rates. Although it considered that this provided a good baseline against which future analyses could be compared and trends established, ICSC found difficulty in interpreting the turnover rates in the absence of norms. The Board noted that the ICSC secretariat had discussed these issues with the secretariat of the Consultative Committee on Administrative Questions, but had not taken steps to address, from a policy angle, the

various difficulties in recruitment and retention brought out in the Consultative Committee's 1994 study.

101. The ICSC secretariat considered that the Consultative Committee on Administrative Questions was responsible for analysing and updating the data. The Board recommends that the ICSC secretariat further review the information obtained from the Consultative Committee's 1994 study in order to develop a policy for overcoming recruitment and retention difficulties.

2. Career development and training

102. The Board considers that, since 1986, the ICSC secretariat has adopted a piecemeal approach to career development and its activities have focused on specific aspects of promotion and training. Although the General Assembly had endorsed the ICSC proposal to follow an overall approach to career development, this has not yet been achieved by the ICSC secretariat.

103. The ICSC secretariat explained that it had had to divert resources to other priorities, such as performance management, the reviews of the mobility and hardship scheme, appointments of limited duration and grade equivalency, and that while it had not addressed the subject of career development per se, it considered that all of its work had implications for the careers of international civil servants.

104. **The Board recommends that the ICSC secretariat reactivate its work towards an overall approach to career development as endorsed by the General Assembly.**

3. Gender balance and status of women in employment with organizations of the United Nations common system

105. In December 1990, the General Assembly expressed concern at the slow and uneven progress in the organizations in the implementation of earlier requests and recommendations on the status of women and invited ICSC to examine specific and practical steps to translate recommendations and requests into action and to report thereon to the Assembly at its forty-seventh session. The ICSC secretariat informed the Board that in response to that request, a working group had been established and had done substantial policy work on the status of women in 1992. The Board noted that the General Assembly appreciated that work and requested ICSC to continue to report on a regular basis.

106. ICSC informed the General Assembly that the Commission would, starting in 1994, consider progress reports on the status of women in the common system, including statistical data, on a biennial basis. The Board noted that between 1994 and 1996 the ICSC secretariat neither followed up, nor enabled ICSC to monitor and report on the status of women in the common system.

107. The Board was pleased to note that the matter has been considered by ICSC in July 1997. Notwithstanding this, the ICSC secretariat informed the Board that it planned to report on the status of women as part of its work programme for 1998. The Board is concerned, however, that the ICSC secretariat did not undertake the biennial reviews as requested by the General Assembly. **The Board recommends that the ICSC secretariat finalize and submit the progress report on the status of women without further delay.**

F. Resources and responsibilities of the secretariat of the International Civil Service Commission

108. The resources of the ICSC secretariat as budgeted for the biennium 1996-1997 and its main responsibilities are as shown in table 9. The central administration services for the Secretariat are provided by the office of the Executive Secretary, with five General Service category staff; another two General Service staff are assigned as personal assistants to the Chairman and Vice-Chairman.

109. An expenditure of $10.91 million was approved for ICSC for the biennium 1996-1997. The major expenditure of ICSC (over 70 per cent) is on staff costs of the ICSC secretariat.

110. The Board noted that there had been slippages in the delivery schedules of important assignments mandated by ICSC and the General Assembly. The ICSC secretariat informed the Board that slippages were not always attributable to the shortfall in resources; in many instances, the work programme had changed drastically as a result of unanticipated requests from the Assembly, resulting in certain planned studies, shown in the programme budget, being postponed. The ICSC secretariat also stated that some of the planned studies had not been undertaken by it not because of lack of resources in the ICSC secretariat but because of limitations on the capacity of the Commission to place those matters on its agendas.

1. Workload indicators

111. Up to 1987, the ICSC secretariat informed ICSC, while submitting its programme budgets, of details on three specific areas of its activity during the preceding year, by

Table 9
Resources and responsibilities of the secretariat of the International Civil Service Commission

Division	*Resources*		*Main responsibilities*
	Professional	*General Service*	
Cost of Living Division	10	12	Classification of duty stations for the purpose of applying post adjustments.
Salary and Allowances Division	6	4	Salaries and allowances and conditions of service of staff; post adjustments for the staff in the Professional and higher categories; staff assessment; and travel.
Personnel Policy Division	4	2	Job classification standards; recruitment; training; evaluation of staff; common staff regulations; mobility and hardship scheme; and hazard pay.

means of workload indicators. These related to meetings attended, documents produced and surveys conducted by the ICSC secretariat, and could be linked, directly and comprehensively, to the resources to be allocated (work/months and travel costs of the ICSC secretariat) for those three areas. This was an effective evaluating tool for ICSC to compare planned activities of the ICSC secretariat with actual achievements and delivery. The ICSC secretariat discontinued the practice after 1987 on the grounds that the previous budget documents covered a small percentage of actual resources allocated to the ICSC secretariat and might give a misleading picture if used to assess the resource needs of the secretariat. The Board noted that the decision to discontinue the practice after 1987 did not have the formal approval of the Commission nor had such approval been sought by the ICSC secretariat from it. Data on workload indicators had not been maintained by the ICSC secretariat since 1988.

112. The Board considers that the discontinuation of preparation and submission of workload indicators has deprived both the ICSC secretariat and ICSC of a valuable monitoring and evaluating tool. **The Board recommends that the workload indicators be re-established.**

2. Rationalization of resources

113. At the request of the General Assembly, ICSC undertook a comprehensive review in 1989 of the methodology for determination of post adjustments. As a result of the review, which was implemented from 1990, two major changes were introduced in the survey methodology: (a) the size of the consumption basket was reduced from 900 items/sub-items to less than 250; and (b) instead of duty station-specific consumption patterns, common expenditure weights based surveys at seven headquarters duty stations and Washington, D.C., were adopted. As a result, surveys for determining spending patterns were required only at seven headquarters duty stations and Washington, D.C., as compared with over 180 stations earlier.

114. The Board noted that this reduced the volume of survey data to be collected and processed by the ICSC secretariat and the data-processing workload of the Cost of Living Division as compared with what prevailed prior to 1990. In addition, since 1995, the ICSC secretariat has contracted out the collection of rent data in respect of 21 group-I duty stations, including 7 headquarters duty stations, at a cost of over $13,000 during 1995-1996. The ICSC secretariat had reduced its strength by 1 Professional and 1 General Service staff member from the biennium 1994-1995 from its resources of 11 Professional and 13 General Service staff.

115. The Board noted that the ICSC secretariat did not have well-defined staff norms, related to specified items of work, and work programmes only showed staff resources (work/months) by activity. The Board considers that the work programmes of the various functional divisions of the secretariat should be more focused, in particular concerning mapping of the targets, achievements and resources.

116. **The Board recommends that the ICSC secretariat prepare well-defined staff norms directly related to the workload for each item of work so that resource requirements can be established.**

117. The Board also considers that delay and postponement of approved programmes should be brought to the notice of ICSC, the General Assembly and governing bodies of organizations. In this respect, the Board was pleased to note that the ICSC secretariat was in the process of establishing a database consolidating all information available and the need to update the database on an ongoing basis to enhance its monitoring and reporting capabilities.

3. Information technology applications

118. The working of the ICSC secretariat is information-intensive. It needs to access, collect, collate and analyse data from very diverse sources, in a timely, efficient and cost-effective manner in order to be able to discharge its operational responsibilities. This can only be done through an integrated management information system in a computerized environment within the ICSC secretariat.

119. The Board noted that ICSC did not have a central database with information on the number of personnel with their grades and remuneration in each organization of the United Nations common system. This impeded the ability of the ICSC secretariat to discharge its responsibility relating to coordination and regulation of conditions of service of common system personnel. The variety of information systems existing within the organizations of the common system and the lack of a cohesive database related to human resources data for the system prevented the secretariat from readily and accurately computing the resource implications of any proposed changes in the rates of pay and allowances. Whenever any issue was addressed on a common system-wide basis, obtaining even the most basic data from all of the organizations of the system involved extensive time and resource requirements. Whenever the required data were not available within the computerized database of the Consultative Committee on Administrative Questions, the ICSC secretariat had to develop a hard copy questionnaire specifically for each data need.

120. The ICSC secretariat informed the Board that the database on salary and allowances in the organizations of the United Nations common system was currently the responsibility of the secretariat of the Consultative Committee on Administrative Questions and much of the information required for particular studies was not available to the ICSC secretariat. The ICSC secretariat felt that a key improvement that would assist in the formulation of human resources management policy would be the development of a comprehensive and interrelated information system covering all common system organizations and linking the current Consultative Committee on Administrative Questions database information to payroll databases.

121. **The Board recommends that the ICSC secretariat establish a personnel database with regard to the organizations of the common system, with comprehensive data on staff deployment and their salary and allowances in respective grades, using the database of the secretariat of the Consultative Committee on Administrative Questions as appropriate.**

122. The Board found that the computer operations of the ICSC secretariat had a lot of scope for improvement; they were at present restricted to data processing. Computerization had been need-based, piecemeal and ad hoc. Some of the programmes had been developed in-house by a few systems personnel attached to the Cost of Living Division and sometimes, by piecemeal contracting to outside consultants. The Board considers that the allocation of the system coordination and system administration to one of the divisions, rather than to a central facility, militates against the concept of system-based controls. The ICSC secretariat proposed to allocate this function to the Office of the Executive Secretary from the biennium 1998-1999. The Board also noted that the computer programmes, which were operational in various divisions, had no audit trails built into them. In addition, there were no process manuals. The Board considers that these deficiencies affect the integrity of the output.

123. In the absence of an adequate computer system, the Cost of Living Division uses manual methods for data Collection. Data is captured by completing complex and lengthy questionnaires, through pricing agents and targeted staff of organizations of the United Nations common system. Central consolidation of data collected worldwide, its manual transcription onto the database by data entry operators and subsequent processing are time-consuming and costly and involve duplication of effort. The Board considers that the ICSC secretariat could enhance the efficiency of operations of the Division at affordable cost by introducing an integrated computerized system for data collection, transmission and processing. This will have the following advantages:

(a) Cost of surveys will be reduced. There will be no need for printing questionnaires and pricing forms, resulting in savings in the cost of distribution of survey material to the field duty stations;

(b) Faster transmission of data from field duty stations to the ICSC secretariat and on-line data processing would allow more time for managers of the Division to

handle other priority tasks. Most significantly, it would result in timely implementation of survey results;

(c) Separate data entry at the ICSC secretariat would not be necessary, resulting in savings in staff costs.

124. In the determination of the mobility and hardship allowance, the Board noted that the information technology application was limited to maintenance of a database of hardship duty stations, which did not include the relevant costing data.

125. In the determination of daily subsistence allowance, the Board noted that the use of computerization was ad hoc and the controls were personalized, need-based and manual. The ICSC secretariat informed the Board that it was examining the feasibility of the UNDP data transmission/communication system (the Higgins system) for collecting data on-line electronically. The ICSC secretariat expected that all aspects of daily subsistence allowance would be fully computerized and operational by October/November 1997 and it hoped to conduct the annual daily subsistence allowance review in 1998 electronically.

126. The Board noted that in the determination of education grants, the ICSC secretariat was constrained by the lack of its own database and was compelled to rely on the Consultative Committee on Administrative Questions for necessary inputs. Most of the information inputs are required to be received from the organizations of the United Nations common system, but the computer systems in ICSC were not compatible with the systems in the common system.

127. The Board considers that improvement in information technology applications would give the ICSC secretariat more time to address the core issues adequately. The Board considers that introduction of a computerized integrated management information system would not only improve the operational performance of the ICSC secretariat, but would also improve the exchange of information between the ICSC secretariat and the organizations of the United Nations common system.

128. Integration of management information requirements and use of appropriate technology to meet them would require a comprehensive business process re-engineering within the secretariat, after review by system experts in active participation with the top management team of the ICSC secretariat. This would entail: (a) appropriate organizational changes; (b) change of job profiles suitable to new system user requirements; (c) development of process manuals; and (d) rationalization of staff resources. The Board considers that such re-engineering may have an impact on the level of resources of the ICSC secretariat.

129. **The Board recommends that the ICSC secretariat introduce a computerized integrated management information system in active coordination with organizations of the United Nations common system with a view to improving the current procedures for data collection, transmission and processing. This should also be used for periodic review of the mobility and hardship allowance, the daily subsistence allowance and education grants. The system should be compatible with the computer systems in the organizations of the common system and its introduction should be preceded by identification and quantification of savings in terms of reduced staff and other costs that would be effected as a result of automation.**

4. Consultative process

130. The consultative process is an important aspect of the activities of ICSC. The Board found, from its interaction with the Consultative Committee on Administrative Questions and the Federation of International Civil Servants' Associations and from a study of reports and responses on the subject, that the consultative process had virtually broken down. One indicator of this was the increasing involvement of the ICSC secretariat in staff litigation, which strained its limited resources.

131. **The Board recommends that the ICSC secretariat help the Commission to take a renewed lead in restoring constructive dialogue.**

III. Acknowledgement

132. The Board wishes to express its appreciation for the cooperation and assistance extended to the auditors by the Chairman and the Vice-Chairman of ICSC, the staff of the ICSC secretariat and the officers and other representatives consulted during the audit.

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